



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0473	Title:	Eliminate water adjudication fee
Primary Sponsor:	Ross, John (Jack) W	Status:	As Amended in House Committee

- | | | |
|-----------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$25,000,000	\$0	\$0	\$0
State Special Revenue	(\$140,367)	\$0	(\$140,367)	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$19,918,538	\$1,039,413	(\$5,233,208)	\$890,793
Net Impact-General Fund Balance:	<u>(\$25,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill will eliminate the fee on water rights that is assessed in even numbered years to fund the water adjudication process. It will transfer \$25 million from the general fund to the water adjudication fund in FY 2008 to pay for the water adjudication process through 2020. Interest on the transferred funds would go the water adjudication fund instead of the general fund.

FISCAL ANALYSIS

Assumptions:

1. It is assumed that DNRC will achieve the establish benchmarks and the base budget for adjudication continues to be funded in the Water Resources Division.
2. Under current law, water rights owners are required to pay a fee to fund the water rights adjudication process. The fee is to be paid by January 31 of each even numbered year through 2014. This bill would

repeal section 85-2-276, MCA, which sets these fees and directs the Department of Revenue to collect them, effective July 1, 2007.

3. Fees due in each billing cycle are \$6,200,000. If this bill passes, revenue to the water adjudication fund would be reduced by this amount in FY 2008 and FY 2010.
4. Section 6 of this bill would transfer \$25 million from the general fund to the water adjudication fund on July 15, 2007. This would provide funding for the water adjudication process through FY 2020.
5. Expenditures for the water adjudication process would be the same as under current law.
6. Interest earned by the water adjudication fund is retained in the fund rather than deposited in the general fund. Interest earnings on general fund and special revenue fund balances will be 4.598% of average balances in FY 2008 and 4.557% in FY 2009 through FY 2010 (HJR2).
7. The \$25 million transferred to the water adjudication fund at the beginning of FY 2008 and additional interest will be spent evenly over eight fiscal years, at a rate of \$2,600,000. In FY 2008, the average balances in the water adjudication fund will be \$24,326,623 higher and interest earnings will be \$1,118,538 higher. Average balances will be \$22,809,143 higher in FY 2009, \$21,215,544 higher in FY 2010, and \$19,547,790 higher in FY 2011. Increased interest earnings will be \$1,118,538 in FY 2008, \$1,039,413 in FY 2009, \$966,792 in FY 2010, and \$890,793 in FY 2011.
8. The net change in deposits to the water adjudication fund would be \$19,918,538 in FY 2008 (\$25,000,000 - \$6,200,000 + \$1,118,538), \$1,039,413 in FY 2009, (\$5,233,208) in FY 2010 (\$966,792 - \$6,200,000), and \$890,793 in FY 2011.
9. Under current law, in section 85-2-276(3), MCA, the Department of Revenue is entitled to recover its costs of collecting water adjudication fees from the fees collected. The department's costs and reimbursement for collecting the fees due in 2006 were \$140,367. If this bill passes, the department's costs and expenditures from the water adjudication account will be reduced by this amount in FY 2008 and FY 2010.
10. Under current law, the Department of Revenue is to attempt to collect any unpaid water adjudication fees. Sections 8 and 9 of this bill make that requirement apply only to unpaid fees from 2006. The department would not incur any costs for collecting unpaid future fees and would not be reimbursed by the DNRC for those costs. There is no net effect on the Department of Revenue.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	(\$140,367)	\$0	(\$140,367)	\$0
Transfers	\$25,000,000	\$0	\$0	\$0
TOTAL Expenditures	\$24,859,633	\$0	(\$140,367)	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$25,000,000	\$0	\$0	\$0
State Special Revenue (02)	(\$140,367)	\$0	(\$140,367)	\$0
TOTAL Funding of Exp.	\$24,859,633	\$0	(\$140,367)	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$19,918,538	\$1,039,413	(\$5,233,208)	\$890,793
TOTAL Revenues	\$19,918,538	\$1,039,413	(\$5,233,208)	\$890,793
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$25,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$20,058,905	\$1,039,413	(\$5,092,841)	\$890,793

Long-Range Impacts:

1. Funds remaining in the water adjudication account at the end of FY 2015 are to be used by the water court to complete the adjudication process by 2020, with water court expenditures expected to be \$1 million per year. The remaining balance at the end of FY 2015 would be approximately \$11 million.
2. Water rights fees of \$6,200,000 would not be collected in FY 2012 and 2014.
3. Department of Revenue collection costs of \$140,367 would not be incurred in FY 2012 and 2014.
4. The water adjudication fund would earn additional interest of \$820,000 in FY 2012 declining to \$557,000 in FY 2015.

Technical Notes:

1. Section 6 authorized a transfer of funds from the general fund to the water adjudication fund. Clarification that the Department of Administration would make the transfer would improve the bill.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date